

Message Text

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C O N F I D E N T I A L ROME 10508

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SUBJECT: FANFANI DISCUSSES ITALIAN POLITICAL SCENE WITH AMBASSADOR
VOLPE

1. SUMMARY: THE MUCH DISCUSSED ECONOMIC STABILIZATION PROGRAM CONTINUES TO BE OF LEADING INTEREST IN ITALIAN TV, RADIO AND NEWSPAPERS. ITALIAN CONTACTS INCLUDING PARTY SECRETARY FANFANI BELIEVE AN ACCEPTABLE, BUT MODIFIED PACKAGE WILL BE APPROVED BY PARLIAMENT BEFORE AUGUST 15. FANFANI CONTINUES TO SHOW ENERGY, GOOD SPIRIT, AND SOME OPTIMISM ALTHOUGH HE TOO EXPECTS A CRISIS SHORTLY AFTER THE AUGUST HOLIDAYS. FANFANI IS CATEGORIC IN HIS STATEMENTS THAT NO HISTORIC COMPROMISE (SHARING OF POWER WITH THE ITALIAN COMMUNIST PARTY). IS IN THE CARDS.END SUMMARY.

2. THE AMBASSADOR HAD A PRIVATE LUNCH WITH PARTY SECRETARY FANFANI JULY 29 AND OBTAINED THE LATTER'S PERSONAL ASSESSMENT OF THE LOCAL SITUATION. FANFANI WAS USUAL FULL OF VIGOR AND REASONABLY OPTIMISTIC IN HIS VIEWS. HE LOOKS FOR APPROVAL OF THE ESSENTIAL ELEMENTS OF THE ECONOMIC STABILIZATION PACKAGE, WITH SOME MODIFICATION, BY AUGUST 15. HE DOES SEE SOME NEGATIVE ELEMENTS IN THE PICTURE, AS THE SOCIALISTS (PSI) ARE BEING PRESSED VERY HARD BY THE COMMUNISTS TO STRETCH OUT THE PARLIAMENTARY DEBATE INTO SEPTEMBER. ALSO ON THE NEGATIVE SIDE, FANFANI SEES A PROBABILITY OF SOME INCREASE IN UNEMPLOYMENT, PERHAPS TO A FIGURE OF 750,000, AS THE EFFECT OF THE LEGISLATIVE PACKAGE IS FELT. (COMMENT: FANFANI IS NOT AS PESSIMISTIC AS SOCIALIST LABOR MINISTER BERTOLDI WHO HAS PREDICTED AN INCREASE IN
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UNEMPLOYMENT TO A TOTAL OF ONE MILLION.) FANFANI STRESSED THAT

THE PCI IS BEING AS TROUBLESOME AS POSSIBLE AND WITH AN INCREASE IN UNEMPLOYMENT FIGURES FANFANI ANTICIPATES THAT A GOVERNMENT CRISIS COULD DEVELOP IN SEPTEMBER OR OCTOBER.

3. UNEMPLOYMENT, FANFANI SAID, WOULD BE THE TRIGGER FOR THE CRISIS, AND IF STEPS ARE NOT TAKEN TO REVITALIZE THE CONSTRUCTION INDUSTRY, MAJOR UNEMPLOYMENT COULD RESULT. IN THIS REGARD FANFANI ECHOED THE CONCERN WE HAVE HEARD FROM OTHER COALITION SOURCES THAT THE PCI AND THE PSI FAIL TO REALIZE THE IMPORTANCE OF THE CONSTRUCTION INDUSTRY IN PROVIDING JOBS IN OTHER SECTORS. (COMMENT: FANFANI'S CONCERN RELATES DIRECTLY TO THE CONTROVERSIAL RENT CONTROL BILL UNDER DISCUSSION IN THE CHAMBER OF DEPUTIES, WHICH CALLS FOR AN EXTENSION OF EXISTING RENT CONTROL AND A ROLL-BACK FOR RENTS UNDER LEASES SIGNED AFTER JANUARY 1, 1971. THE DEMOCRATIC PARTIES, WITH THE EXCEPTION OF THE SOCIALISTS, FEAR THAT THIS BILL, IF PASSED, WILL DISCOURAGE INVESTMENT IN HOUSING, AND FURTHER DEPRESS THE CONSTRUCTION INDUSTRY.)

4. DESPITE THE CAVEATS, FANFANI FACES THE ANTICIPATED AUTUMN CRISIS UNDAUNTED, AND ONE POINT ON WHICH HE WISHED TO REASSURE THE AMBASSADOR WAS THAT THERE WERE NO PROSPECTS FOR SHARING POWER WITH THE COMMUNISTS IN ANY FORM OF HISTORIC COMPROMISE. FANFANI THEN TURNED TO DC PARTY MATTERS, IN WHICH HE INDICATED HIS SATISFACTION WITH THE RESULTS OF THE RECENT DC NATIONAL COUNCIL MEETING. HE SAID THAT HIS POSTURE, OF CALM AND RESTRAINT, PERMITTED THE LEFT WING OF THE PARTY TO TALK OUT THEIR OPPOSITION TO FANFANI'S PROGRAM AND HIS STEWARDSHIP OF THE PARTY. MORO, IN FACT, HAD RECENTLY COME AROUND TO A CONSIDERABLE SUPPORT OF FANFANI'S POSITION. FANFANI DID NOT CLAIM MORO AS A CLOSE ALLY; INSTEAD HE FELT MORO HAD COME TO THE REALIZATION THAT THE FORZE NUOVE OF DONAT CATTIN WAS UNACCEPTABLY LEFT-WING.

5. ACCORDING TO FANFANI, MORO IS TIRED OF THE FOREIGN MINISTRY AND THE DIFFICULTY OF KEEPING THE FARNESINA ON A SINGLE TRACK. IT WAS CLEAR, THAT WITH HIS OWN TALENT FOR LEADERSHIP, FANFANI DID NOT SYMPATHIZE GREATLY WITH WHATEVER DIFFICULTIES MORO MAY FACE IN FUNNING THE FOREIGN MINISTRY, BUT HE ACCEPTS THE REALITY THAT MORO WANTS OUT. THIS LED TO A DISCUSSION OF THE POSSIBILITY OF REPLACING ALESSANDRO PERTINI (PSI) AS PRESIDNET OF THE CHAMBER OF DEPUTIES (SEE ROME'S A-496.) IN FANFANI'S VIEW
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MORO WOULD BE A LOGICAL CHOICE TO SUCCEED FERTINI WHOSE HEALTH IS VERY POOR. HOWEVER, THE REPLACEMENT OF PERTINI BY A CHRISTIAN DEMOCRAT (MORO) WOULD RAISE THE QUESTION OF COMPENSATION TO THE SOCIALIST. AS IT HAPPENS, THE CHRISTIAN DEMOCRAT PRESIDENT OF THE SENATE, SPAGNOLLI, IS ALSO ILL AND COULD BE REPLACED. THE PRESIDENT OF THE SOCIALIST PARTY, PIETRO NENNI, HAS BEEN MENTIONED AS A POSSIBLE REPLACEMENT FOR SPAGNOLLI AND HIS APPOINTMENT WOULD APPROPRIATELY BALANCE THE MORO FOR PERTINI SUBSTITUTION IN

THE CHAMBER. FANFANI IS NOT SO KEEN ON THE REPLACEMENT OF SPAGNOLLI BY NENNI, BUT COULD ACCEPT NENNI'S CANDIDATURE IF A GOOD CHRISTIAN DEMOCRAT COULD BE NAMED AS HIS VICE PRESIDENT IN THE SENATE.

6. FINALLY, FANFANI DISCUSSED THE SITUATION WITHIN THE CGIL-CISL-UIL LABOR UNION FEDERATION (CCU, LEADING TOWARD A UNITY OF WHICH FANFANI DISAPPROVES. FANFANI ALSO HOLD CISL LEADER BRUNO SOTORTI RESPONSIBLE FOR THE ENTRY OF THE COMMUNIST-DOMINATED CGIL INTO THE ETUC. FANFANI CONFIRMED THAT HE IS AWARE OF THE POSSIBILITY OF A SPLIT IN THE CISL CONTEMPLATED BECAUSE OF THE GENERAL UNHAPPINESS WITH BRUNO STORTI AND THE DRIFT TOWARD A TRADE UNION UNITY WHICH WOULD BE COMMUNIST-DOMINATED. HE NOTED THAT THE CISL DISSIDENTS ARE STRONG AMONG THE AGRICULTURAL WORKERS BUT SAID THAT THEY ARE SHORT IN INDUSTRY REPRESENTATION. ALTHOUGH RECOGNIZING THE PROBLEMS AND RISKS OF A SPLIT, FANFANI WAS CLEAR THAT HE WOULD NOT BE UNHAPPY WITH SUCH AN EFFORT.

7. COMMENT: ALTHOUGH FANFANI SEEMED RELATIVELY RELAXED AND CONFIDENT, HE SEIZED UPON THE AMBASSADOR'S SUGGESTION THAT A FORCEFUL PUBLIC PRESENTATION OF THE NEED FOR THE FISCAL PACKAGE WOULD CERTAINLY HELP TO CREATE A MOOD OF ACCEPTANCE AMONG THE PEOPLE, AS WOULD A VIGOROUS EFFORT TO IMPROVE TAX COLLECTION. WITH REGARD TO THE AMBASSADOR'S SUGGESTION THAT AUTOMATION AND COMPUTERIZATION WOULD BE OBVIOUSLY HELPFUL, FANFANI AGREED AND SAID THAT HE HAD BEEN TRYING TO GET SUCH AUTOMATION FOR THE MINISTRY OF INTERIOR WHEN HE WAS MINISTER THERE 20 YEARS AGO. AMONG THE ITALIAN FIRMS, FANFANI SAID ONLY OLIVETTI HAD DONE WORK IN THIS FIELD. HE SHOWED INTEREST IN THE AMBASSADOR'S SUGGESTION THAT AMERICAN FIRMS COULD PERHAPS OFFER HELPFUL ADVICE IN THIS AREA, AND AGREED THAT THE GOI WOULD HAVE TO KEEP THE INITIATIVE IN IMPROVING TAX COLLECTION LEST PSI OR PCI EFFORTS, FOR EXAMPLE IN THE REGIONS, TAKE THE LEAD IN TAX COLLECTION
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